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C O N F I D E N T I A L SECTION 01 OF 02 ZAGREB 001065

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FOR OES, EUR/SCE, EUR/PPD AND EUR/PGI

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TAGS: [ECON](#) [EFIS](#) [SENV](#) [PREL](#) [PGOV](#) [HR](#)

SUBJECT: CROATIA'S FISHING ZONE - A TRAIN WRECK IN THE  
MIDDLE OF THE ADRIATIC?

REF: A. ZAGREB 1036

[1](#)B. 2006 ZAGREB 1504

Classified By: Rick Holtzapple, POL/ECON, Reasons 1.4 B/D

[1](#)1. (C) SUMMARY: The Croatian Peasants' Party (HSS) and its 6 seats in parliament are nearly certain to be a member of any governing coalition formed after Croatia's November 25 elections. The HSS has said a primary condition for its joining any coalition is application of Croatia's Protected Ecological and Fishing Zone (ZERP) to all states, including EU member states, on January 1, 2008 as currently scheduled under legislation passed at the end of last year. Italy and Slovenia (holder of the next EU presidency) condemn Croatia's 'unilateral' application of the ZERP. EC officials in Zagreb as well as Croatian diplomatic sources have told us they believe implementation of the ZERP will slow Croatia's EU accession negotiations. HSS leader Josip Friscic has said the ZERP issue alone would not bring down a coalition, but that the HSS would not vote to postpone or suspend the ZERP. The HSS, however, will find itself in a difficult balancing-act, trying to avoid reneging on a key campaign promise while simultaneously not damaging Croatia's relations with the EU. This issue looms increasingly large as the January 1 application of the ZERP draws near. End summary.

BACKGROUND ON ZERP

[1](#)2. (SBU) In 2003, just prior to the last round of parliamentary elections, the Croatian parliament passed a law declaring the creation of a Protected Ecological and Fishing Zone (ZERP) in the area of the Adriatic between the outer edge of Croatia's territorial waters and the midpoint of the Adriatic, where Croatia's Exclusive Economic Zone meets Italy's. Restrictions within the ZERP include limits on size, quantity, fishing seasons, and vessel size and horse power. The creation of the ZERP, long sought by Croatia's fishing industry, provoked a quick reaction from Italy, whose large, subsidized fishing fleet regularly trawls the waters of the Croatian half of the Adriatic, as well as Slovenia, which while lacking much of a fishing fleet, has argued the Croatian action infringes on the on-going Croatia-Slovenia dispute about maritime boundaries in the Piran Bay. At that time the GOC deferred its application to EU member states, thus avoiding confrontation with its EU neighbors over the issue. Prior to opening Croatia's accession negotiations in 2004, the EU urged the Croatians to enter into trilateral negotiations on the issue with Italy and Slovenia to reach a mutually acceptable arrangement on how to apply the ZERP.

[1](#)3. (SBU) The result of this move was that the new rules applied only to the Croatian fleet, and Italian boats continued to fish on the Croatian side of the Adriatic

without any restrictions. This situation led to charges of "discrimination" against Croatian fishermen that found new political traction in December 2006 as MPs began to look toward the 2007 elections. At that time, the government managed to beat back opposition calls (led by the HSS) for immediate activation of the ZERP, but acquiesced in a decision to delay its application to EU member states until January 1, 2008 (REF B). It also reiterated its hope that an agreement on the ZERP could be reached with Italy and Slovenia before that date.

#### ZERP'S POST-ELECTIONS RISE -- AND COMPROMISE?

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14. (U) Although the European Union continued to warn that the extension of the ZERP to its member states would be an obstacle to Croatia's accession, the compromise reached in December 2006 largely neutralized the issue for the 2007 elections. The ZERP was raised as an issue during the campaigns but never gained much traction. Both HDZ leader Ivo Sanader and SDP President Zoran Milanovic were able to defer most discussion by simply noting that the December 2006 law was in place, and that the ZERP's application was scheduled to expand on January 1. Most observers, however, believed that any new government, once the elections had passed, would bow to EU pressure and once again postpone application of the ZERP at least until after the Slovene EU Presidency in the first half of 2008. It is the emergence of the HSS as the "king-maker" that has once again made ZERP a major issue, and raised doubts whether a new government will be able to muster the necessary votes for a further suspension of the ZERP. (NOTE: As the new Sabor will not convene until late December, any suspension of the ZERP was unlikely until sometime in the new year, but as long as

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Croatia did not vigorously enforce any restrictions, such a lag would not be a major complication. END NOTE.)

15. (U) On November 29, Italy and Slovenia asked for another year's delay in application of the ZERP and repeated warnings that they will not support Croatia for EU accession if the ZERP is applied January 1st. The next day, EU Fisheries Commissioner Joe Borg announced that the EU will help negotiate a temporary solution if asked by Italy and Slovenia. During a visit to Brussels on December 5, Croatian President Stipe Mesic is reported to have told EU Enlargement Commissioner Rehn that he was confident that Croatia's new government would hold off on applying the ZERP until an agreement could be reached with Italy and Slovenia.

16. (C) At a December 5 lunch, FM Kitarovic and State Secretary Biscevic, however, expressed concern to the

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Ambassador regarding the potential impact of the HSS's ZERP demands. At a minimum the EU would freeze any progress toward negotiation on the Fisheries chapter. As negotiation of the chapter has not yet begun, the immediate practical impact of such an event would be minimal, but it would be a very negative way for the new government to begin its term on its single most important priority for the next two years. Biscevic commented that the ZERP issue would provide those in Brussels who were looking for any excuse to slow-walk further EU enlargement with a perfect excuse. Vincent Degert, head of the European Commission Delegation to Croatia, has been similarly gloomy, telling the Ambassador privately that application of the ZERP could wreak even greater havoc in Croatia's EU negotiations than just in the Fisheries chapter.

17. (U) It is still possible that the HSS will blink. Friscic has said that if the new government brings further suspension of the ZERP to a vote, the HSS would vote against it, even as members of the ruling coalition. However, when asked by the press if HSS members would leave the government in such a case, Friscic replied that they would not. Both Friscic and

HSLs leader Djurdja Adlesic insist the HSS is not a "Euro-skeptic" party and does not want to halt or delay Croatia's EU accession. But they say Croatia needs a "different diplomacy" on the issue. Friscic said that if Italy and Slovenia have their interests, Croatia has its own interest as well and should not abandon it.

COMMENT

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18. (C) Although from a conservation perspective Croatia's regulation of its Adriatic fisheries is sensible, the policy appears politically untenable. The benefits of the ZERP pale in comparison to the Croatia government's determination to join the EU, and Croatia's position as an EU candidate gives Italy and Slovenia considerable leverage. The nod from Friscic that the HSS would not bring down the coalition over the issue may provide the next government the maneuvering room it needs to seek a face-saving compromise. But having to reverse the December 2006 parliamentary decision makes this a decidedly more difficult and more public political u-turn, and the governing coalition cannot necessarily count on the opposition to help out. The ZERP could, therefore, still provoke a crisis in the very early days of the new government, and clearly highlights how Croatia's new coalition is likely to find governing more complicated than the previous HDZ-led government. We expect the government can manage the issue, but Croatia's repeated concessions to its EU neighbors over the fishery issue will sour public opinion in Croatia toward the EU even before the accession negotiations get to the truly difficult subjects such as subsidies and shipbuilding. END COMMENT.  
BRADTKE